

**38 CFR Part 61****RIN 2900-AP54****VA Homeless Providers Grant and Per Diem Program****AGENCY:** Department of Veterans Affairs**ACTION:** Final rule.

SUMMARY: The Department of Veterans Affairs (VA) is amending its regulations concerning the VA Homeless Providers Grant and Per Diem (GPD) Program. These amendments provide GPD with increased flexibility to: respond to the changing needs of homeless veterans; repurpose existing and future funds more efficiently; and allow recipients the ability to add, modify, or eliminate components of funded programs. This rule updates these regulations to better serve our homeless veteran population and the recipients who serve them.

DATES: The final rule is effective **[Insert date 30 days after date of publication in the FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: Jeffery Quarles, Director, Grant/Per Diem Program, (673/GPD), VA National Grant and Per Diem Program Office, 10770 N. 46th Street, Suite C-200, Tampa, FL 33617, (813) 979-3570. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION: Pursuant to 38 U.S.C. 501, 2001, 2011, 2012, 2061, and 2064, VA established the VA Homeless Providers Grant and Per Diem (GPD) Program with implementing regulations at 38 CFR Part 61. Through the GPD Program, VA awards five types of grants to entities and organizations that meet specific criteria to support supportive or transitional housing for homeless veterans until the veteran can transition into permanent housing. VA awards capital grants, special need grants, technical assistance grants, case management services grants and per diem only grants to offset operating costs for a program of supportive housing or services.

On July 25, 2017, VA proposed to amend its regulations that govern the VA GPD Program. (82 FR 34457). VA provided a 60-day comment period, which ended on September 25, 2017. We received 15 comments on the rule. Most of the comments were generally positive; however, several commenters raised concerns about the proposed changes, which we address here.

§ 61.1 Definitions.

VA proposed amending the definition of supportive housing to state that this type of housing is designed to either: facilitate the movement of homeless veterans to permanent housing as soon as possible but no later than 24 months, subject to § 61.80; or provide bridge housing or specific medical treatment such as detoxification, respite, or hospice treatments that are used as step-up or step-down programs within that specific project's continuum.

A commenter remarked that use of the term “bridge housing” is misleading. At 82 FR 34458 we stated that bridge housing is a short-term, transitional housing option in a safe environment for veterans who have accepted a permanent housing placement, but access to the permanent housing is not immediately available for occupancy. Typically, the bridge housing model length of stay is less than 90 days, absent additional services, and devoid of a specific clinical care component.

The commenter noted that in the past, VA published a Notice of Funding Availability (NOFA) for the GPD Program which specified admission criteria. The commenter stated that the admission criteria published in the NOFA included the requirement that supportive housing must facilitate the movement of homeless veterans to permanent housing within a period that is not less than 90 days in length. Previously issued NOFAs stated, as part of the admission criteria, that the veteran “must have been offered and accepted a permanent housing intervention prior to admission or

within the first 14 days of admission.” The commenter stated that the intent is for housing within 90 days, but not that housing has been identified prior to admission.

We do not agree that the use of the term “bridge housing” is misleading. While it is accurate to state that VA published certain admission criteria in past NOFAs, VA subsequently proposed changes to those criteria. While the commenter first focused on the proposed addition of “bridge housing” to the definition of supportive housing, it appears that the main concern is the proposed removal of the requirement that supportive housing must facilitate the movement of homeless veterans to permanent housing within a period that is not less than 90 days. The 90-day supportive housing requirement was intended to ensure that veterans have sufficient time to take full advantage of all supportive services, thereby enabling their successful transition to permanent housing. However, VA recognizes that each veteran has an individualized treatment plan and may, for a variety of reasons, choose to exit the program before 90 days. VA believes that one of these reasons may be the desire to move into permanent housing rather than remain in supportive housing for up to 90 days.

In any case, we are eliminating the reference to 90 days in the proposed definition of supportive housing by removing the phrase “within a period that is not less than 90 days and does not exceed” and amending paragraph (2)(i) of the definition at 38 CFR 61.1 to state: “facilitate the movement of homeless veterans to permanent housing as soon as possible but no later than 24 months, subject to § 61.80; or”. This should address the commenter’s concerns summarized above.

In addition, to address any potential confusion, we are removing the proposed addition of language about bridge housing. Specifically, we are removing the proposed definition of and reference to bridge housing as it is no longer necessary and not included in the regulation. At the time of the commenter’s concern, bridge housing was a new concept for GPD programs. In subsequent years, however, bridge housing has

become a standard practice in GPD programs, the meaning of which is common knowledge among grantees and available elsewhere, such as in funding opportunities and in technical assistance materials widely available to the community.

§ 61.33 Payment of per diem.

We proposed several changes to this section, including amending general provisions on per diem payments, rates for such payments, and removal of one paragraph that duplicates content in new proposed § 61.5. We subsequently published, at 82 FR 38646 (August 15, 2017) a correction to proposed paragraph (c). We received public comment on proposed changes to paragraphs (a)(3), (e), and (f).

We renumber proposed § 61.33 for clarity as follows. Proposed paragraph (a)(1)(iii) is renumbered as paragraph (a)(2). Proposed paragraph (a)(1)(iv) is now paragraph (a)(3). Proposed paragraph (a)(2) is now paragraph (b). Proposed paragraphs (b) through (h) are now paragraphs (c) through (h), with proposed paragraph (f) omitted. We have also renumbered the cross references within § 61.33 to reflect the new numbering.

In proposed paragraph (a)(3), now paragraph (b) as stated below, we stated that VA may at any time review the provision of supportive housing and services to individual veterans by the provider to ensure the care provided continues to be needed and appropriate. One commenter stated that the proposed reviewing of individual veteran service plans gives VA too much power. We do not agree. VA has always had the authority to inspect grantees to ensure they are complying with all program requirements, including review of individual service plans. See 38 CFR 61.65. This rulemaking clarifies that authority. Further, VA will not pay per diem where we conclude that services furnished by the recipient are unacceptable. All grantees must have individual service plans (ISPs) for veteran participants. As a condition of accepting the

grant award, grantees must sign assurances allowing VA to access and review, on demand, all records associated with the grant award. Since moving individual veterans to permanent housing as quickly as they are ready is an important goal of GPD, VA will ensure that veterans are continuing to move toward this goal by reviewing ISPs. Also, we will provide assistance to veterans and grantees in cases where veterans are not moving to permanent housing as quickly as they are ready.

In proposed paragraph (e), now paragraph (f), we proposed that VA would pay per diem up to a maximum of seventy-two (72) consecutive hours for the scheduled absence of a veteran. This would amend the then-current rule that allowed payment for both scheduled and unscheduled absences, which we noted had been misapplied or misunderstood by GPD grantees. One commenter stated that this proposed change would negate the purpose of the original rule, which allowed 72 hour passes for unexcused absences and did not take into account the fact that most hospital admissions are unplanned. The commenter stated that smaller providers would be forced to choose between absorbing the cost of an unexcused absence or documenting a negative exit for the veteran. The former would negatively impact the finances of the GPD provider while the latter would adversely impact the veteran. Other commenters expressed similar concerns. One commenter noted that a missing veteran may sometimes be unable to contact the facility right away, such as when hospitalized. In addition, one commenter stated that the proposed change would disincentivize GPD providers from working with veterans and could result in substantial losses to larger programs. The commenter also stated that, for GPD providers not in compliance with performance metrics, the provider would have to weigh a negative exit (which would result in no loss of funds) against the risk of being placed in a Corrective Action Plan (CAP) (proposed § 61.80(c)(3)(vi)).

While other commenters generally expressed support for the rationale behind the proposed change, VA acknowledges the concerns of those commenters urging a substantive change to paragraph (f) as proposed. VA has taken into consideration that the populations the commenters choose to serve have a higher propensity to exit their homeless programs when exigent circumstances arise. We encourage our community partners to continue serving these populations. Accordingly, based on the public comments, we are amending paragraph (f) to state that VA will pay per diem up to a maximum of seven (7) days in the case of an inpatient hospitalization, or, will pay per diem up to a maximum of seventy-two (72) consecutive hours for the scheduled or unscheduled (non-hospitalization) absence of a veteran. Adding per diem coverage for up to 7 days of inpatient hospitalization is responsive to concerns raised by commenters.

Commenters also expressed concern regarding situations where a recipient would be forced to discharge veterans if it did not receive payment for services rendered. It is believed that a discharge under these circumstances could count against a veteran's three-time allowable admission to GPD programs. Many commenters believe VA will only allow for three admissions to GPD programs. We believe this has been incorrectly interpreted. To clarify, VA will remove the previously proposed paragraph (f) altogether. Because VA allows more than three admissions to GPD programs under certain circumstances and in order to avoid incorrect applications of a perceived limitation for supportive housing bed days of care, this paragraph is removed.

Except as noted above, VA makes no edits to the rule based on these comments.

Technical edits. As discussed above, we renumber proposed § 61.33 for clarity as follows. Proposed paragraph (a)(iii) is renumbered as paragraph (a)(2). Proposed paragraph (a)(iv) is now paragraph (a)(3). Proposed paragraph (a)(2) is now paragraph

(b). Proposed paragraphs (b) through (e) are now paragraphs (c) through (f). We have also renumbered the cross references within § 61.33 to reflect the new renumbering.

Additionally, we are amending proposed 38 CFR 61.33(a)(1)(ii) to remove the word “and” at the end of the paragraph. We are also merging proposed paragraph 38 CFR 61.33(a)(2)(A) with proposed paragraph 38 CFR 61.33(a)(2) and numbering it as 38 CFR 61.33(a)(2). After reviewing the language, VA determined that it would reduce confusion by merging the two paragraphs. The paragraph at 38 CFR 61.33(a)(2) would now read: For providers of both supportive housing and services. When the referral or authorization of the homeless veteran will not result in the project exceeding the total number of bed days of care or total obligated funding as indicated in the grant agreement and funding action document.

Proposed paragraph (h) states that at the time of receipt, a per diem recipient must report to VA all other sources of income for the project for which per diem was awarded. We are amending proposed paragraph (h) to clearly state that the paragraph relates to receipt of a federal award by VA rather than a federal award by a different federal agency such as the Department of Housing and Urban Development.

§ 61.80 General operation requirements for supportive housing and service centers.

This section is in subpart F which addresses awards, monitoring and enforcement of agreements. Paragraph (c) of this section focuses on establishment of performance goals, periodic assessment of grant recipient performance, remedies available to VA if a grantee fails to meet established performance goals, and actions the grant recipient must take if VA determines that established GPD performance goals have not been met over a certain period of time. VA proposed several non-substantive changes to this paragraph for purposes of clarity. In addition, we proposed that VA will establish performance goals for the initial award and update those goals annually.

Performance goals would be established based on data VA collects on veterans in all homeless programs, and VA priorities in addressing the issue of homeless veterans. This would shift the burden of developing performance goals from the grant recipient without VA losing any oversight capabilities. We noted at 82 FR 34460 (July 25, 2017) VA's intent to also reduce the number of performance items recipients are responsible for from the range of 10 to 20 per recipient project to a number that accurately captures acceptable performance. We proposed changing the trigger point at which VA would consider remedies for failure to meet performance goals from 15 percent to five percent below any performance goals. In addition, we proposed requiring a grant recipient to submit a Corrective Action Plan (CAP) to the VA GPD Liaison within sixty (60) calendar days if VA determines that established GPD performance goals have not been met for any two (2) consecutive quarters. The rationale for these proposed changes is to more closely monitor attainment of VA-established performance goals and to identify and address problem areas in a timely manner. As explained in detail below, VA is amending references to a Corrective Action Plan (CAP) to refer instead to a Performance Improvement Plan (PIP). Accordingly, all references to CAPs in the paragraphs below will use PIP instead of CAP. In addition, all of the CAP references below are in fact referring to what is now PIP under section 61.80(c)(3)(v) through (vii).

We received several comments related to VA's collection of data related to services provided to homeless veterans. Commenters expressed reservations as to the integrity and accuracy of VA data and VA's reliance on that data when establishing performance goals. One commenter stated that there should be a mechanism to allow a grant awardee the ability to challenge VA data it believes is inaccurate, where the alleged inaccuracy could impact a performance review. The commenter stated that such mechanism would allow for a comparison of grantee-provided data with that of VA, and ensure continuity of payment while that mechanism was in use. Another

commenter stated that it is crucially important that the proposed rule rely on performance measures based on data from the Department of Housing and Urban Development's Homeless Management Information System (HMIS) and not solely from the VA Homeless Operations Management and Evaluation System (HOMES) program.

We do not believe it is necessary for there to be additional mechanisms for recipients to challenge the accuracy of VA's data in HOMES. Grantees provide outcome data to VA Liaisons detailing the effects of moving veterans to permanent housing or discharging them for rule violations. We continue this practice under VA HOMES. VA uses HOMES to record information on every veteran entering and exiting GPD's nationally funded projects. From this system, VA is able to provide monthly performance data based on the technical specifications of each metric. The GPD program educates grantees on reading and using the data in practical ways and has used this information to understand performance and promote improvement. VA maintains rigorous methodologies which are reviewed and updated as needed. When grantees have questions about such data or its role in their performance, answers continue to be provided through the normal communication channels available among grantees, VA medical centers and the GPD national office.

As VA is standardizing performance outcomes for all of its transitional housing, we are able to produce these reports for each funded project and distinguish between GPD transitional housing models. Additionally, we have the opportunity to take into consideration the various operational definitions that make up each metric. The reports produced from HOMES provide results on national, regional (i.e., Veteran Integrated Service Network), medical center, and GPD funded projects. While we commend the commenter's participation in the HMIS locally, the aforementioned capability is unavailable to VA at this time due to concerns about undue financial burden for grantees and the protection of confidential and clinical information about Veterans.

HMIS participation involves grantees paying for several costs (e.g. access, training, staffing, usage). The cost is locally determined and is not necessarily able to be supported by grant funds. That said, the GPD program has encouraged, but does not require, participation among grantees in HMIS, and continues to collaborate with HMIS about options for the future.

Moreover, we have eliminated the reporting requirements for several types of grant project goals and objectives that were previously necessary. VA eliminated these reporting requirements in our efforts to grant flexibility for recipients in developing project goals based on the recipient's experience with specific populations, services, and the recipient's geographic location. The changes in 38 CFR 61.80(c) utilize metrics that lead to empirical comparisons, such as outcome measures for homeless program success, which are consistent with VA's national goal of ending homelessness. Historically, the selected data points within in the metrics have been used to report homeless program data within VA and to Congress. The use of common metrics is an effective method to determine success across different GPD program methodologies. Both VA and the recipients are linked as VA must also meet the very same metrics. We believe this will lead to better outcomes and strengthen community partnerships in the battle against homelessness. The amendments in this rulemaking are consistent with current VA policy and practice.

VA amends references to a Corrective Action Plan (CAP) to refer instead to a Performance Improvement Plan (PIP). One commenter remarked on the use of CAPs (now PIPs) listed in proposed 38 CFR 61.80. We proposed in 38 CFR 61.80(c)(3)(v) through (vii) that if after reviewing a recipient's assessment, VA determines that it falls more than five percent below any performance goal, then VA may revise the award by withholding placements or payment, suspending payment, and terminating the grant agreement. While the five percent rather than fifteen percent would be a new standard,

the four listed potential remedies remain unchanged from then-current paragraph (c)(6). The commenter stated that the proposed changes suggest that at any time VA could enact any options, regardless of the PIP. That is not VA's intent, and we amend the proposed language to clarify the issue. We are amending proposed 38 CFR 61.80(c)(3)(v) to explain that VA could avail itself to more than one, or a combination of, enforcement actions in 38 CFR 61.80(c)(3)(v)(A)-(D). VA seeks to reserve its discretion to apply any combination or permutation of enforcement actions it deems fit. We amend 38 CFR 61.80(c)(3)(v) to read as follows: If, after reviewing a recipient's assessment, VA determines that it falls more than five percent below any performance goal, then VA may require the recipient to create and follow a performance improvement plan (PIP) as outlined in 38 CFR 61.80(c)(vi). We are moving the second part of proposed 38 CFR 61.80(c)(3)(v) and numbering it as new 38 CFR 61.80(c)(3)(vii). We believe that this move will provide a more sequential process for the PIP. Therefore, new paragraph (c)(3)(vii) will state that if the recipient is not compliant with the PIP, VA may impose any combination of the following enforcement actions by award revision: (A) Withhold placements; (B) Withhold payment; (C) Suspend payment; and (D) Terminate the grant agreement, as outlined in this part or other applicable federal statutes and regulations.

Other commenters expressed concern with the threshold VA selected to trigger a PIP in proposed 38 CFR 61.80(c)(3)(v). One commenter stated that the proposed change in threshold for action to a deviation of more than five percent from a performance goal will have a greater negative impact on smaller programs than larger programs, with service issues related to only one or two veterans resulting in imposition of a PIP. As an example, the commenter stated that if a recipient serves ten veterans, this means that it cannot possess serious deficiencies or service issues for more than one veteran (i.e., five percent of the recipient's veteran population) or it will trigger a PIP. Similarly, other commenters stated that the changes may have unintended effects

on recipients that would disproportionately affect small and rural programs. In particular, the commenters express concerns in situations where failure to meet their goals with small populations would give rise to the appearance that the program is substandard or failing.

We agree with the commenters that slight deviations in meeting goals successfully could give the appearance of program mismanagement or failure. Also, we agree that smaller programs with fewer veterans could appear unsuccessful if only one or two veterans do not exit successfully from the program. However, VA believes that the changes to 38 CFR 61.80(c)(3)(v) and (vi) provide an adequate solution to tighten the performance metrics as well as provide relief from the disproportionate impact the changes would have on small and rural programs.

With respect to when VA may initiate a PIP, we believe the more than five percent deviation is the threshold where recipients should adjust their efforts to improve their outcomes in order to comply with the established GPD performance goals. This does not mean that VA will initiate imminent enforcement actions once a deviation greater than five percent is reached. VA will only take enforcement actions in the event the recipient is not compliant with the established GPD performance goals after attempting a PIP. This is why VA adopted a quarterly assessment period as opposed to a monthly review. VA wants to afford recipients the opportunity to correct issues that could disqualify them from future funding. In the first quarterly review where a grantee is more than five percent away from a performance goal, the grantee and VA Liaison can review the data along with other program aspects to ascertain what causal relationships are present. Part of that assessment is determining whether the total number of veterans served by the program contributed to the award recipient's failure to attain performance goals. The recipient will have the ability to determine if the reason for the more than five percent deviation is an anomaly or requires the need for

adjustments. If the greater than five percent deviation occurs for a second consecutive quarter, then this would indicate that an issue requires action, and the recipient would need to submit a PIP sixty days after VA's determination.

Accordingly, we are also amending the language in proposed 38 CFR 61.80(c)(3)(vi). In the proposed rule, VA stated that recipients would need to submit a PIP to VA's GPD Liaison within sixty (60) calendar days. VA believes that this is unclear, and we are amending it to state if VA determines that the recipient has a more than five percent deviation from established GPD performance goals for any two (2) consecutive quarters as defined in 38 CFR 61.80(c)(3)(i) through (iv), the recipient will submit a PIP to the VA GPD Liaison sixty (60) calendar days after VA makes its determination.

The recipient and VA Liaison can use the third quarter as a period to examine if the recipient's actions improved performance. While changing the name of the corrective action measure, VA declines to change the requirement that it is triggered after two consecutive quarters of reduced performance. Since two quarters are one-half of a typical one-year performance period for a grant, VA is reticent to accept the commenter's proposal to increase the threshold to three quarters. We would find this unacceptable because it would cover approximately three-fourths (75%) of the one-year performance period.

Based on a review of public comments VA also believes that there is confusion regarding the purpose of the changes to 38 CFR 61.80(c)(3)(v) and (vi). Several commenters appear to view the changes as punitive in nature. We note that the remedial action for a grantee's non-compliance with 2 CFR 200.338 is a corrective action plan, and VA believes it is appropriate to distinguish action plans related to failure to meet performance goals from those related to failure to comply with federal statutes or regulations under Title 2 CFR part 200. While some of the remedies reflected in 2

CFR 200.338 are the same as those in 38 CFR 61.80(c)(3)(v), the impetus for imposing those remedies is not. VA views the remedies reflected in 38 CFR 61.80(c)(3)(v) and (vi) as a mechanism to initiate proactive reviews with recipients along with giving them the ability to make program adjustments in order to meet the goals set out in the GPD program application and improve the services to the veterans they serve. Accordingly, as discussed above, VA has amended references to a Corrective Action Plan (CAP) to refer instead to a Performance Improvement Plan (PIP) to avoid confusing recipients with the enforcement actions of 2 CFR 200.338 for non-compliance.

Finally, one commenter referenced the absence of an appeal process for termination of grants. While it is true that Part 61 does not contain express appeal provisions, VA follows 2 CFR 200.340 through 200.342. VA provides advance notice of any enforcement actions and an opportunity to be heard and object or provide documentation challenging the enforcement decision. These procedures afford due process protections and, specific to the commenter's concerns, provide grant recipients an opportunity to raise issues regarding the accuracy of VA data. VA follows 2 CFR 200.343 regarding payments after a termination. VA makes no changes based on this comment.

Based on the rationale set forth in the proposed rule and in this document, VA is adopting the provisions of the proposed rule as a final rule with changes as noted above.

Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (at 44 U.S.C. 3507) requires that VA consider the impact of paperwork and other information collection burdens imposed on the public. According to the implementing regulations for the Paperwork Reduction Act (5 CFR 1320.8(b)(2)(vi)), an agency may not collect or sponsor the

collection of information, nor may it impose an information collection requirement unless it displays a currently valid Office of Management and Budget (OMB) control number. This rule includes provisions constituting collections of information under the Paperwork Reduction Act of 1995 that require approval by OMB. Accordingly, pursuant to 44 U.S.C. 3507(d), VA is submitting a copy of this rulemaking action to OMB for review.

In the proposed rule we had stated that we would require a renewal of the collection of information under §§ 61.33 and 61.80. We had stated that § 61.33 requires recipients to report to VA all sources of income it has received for the project for which VA has awarded a grant. The proposed rule indicated that there would be no changes to this collection. We had also stated that under § 61.80 recipients are required to submit quarterly reports to VA Liaisons, who are VA staff members, about how the recipients are meeting the performance measures that are outlined in their grant applications. However, VA provides to the grantee (quarterly) the grantee's performance status regarding the VA performance metrics. The grantee does not provide a compliance report because it would be duplicative of information already available to the VA Liaison in existing VA systems through the grantee's monthly billing invoice information and admission and discharge notifications as reflected in the billing. Accordingly, we are no longer collecting information under these two sections. Compliance information from recipients is captured through other processes and therefore is not repeated in order to avoid duplication in collection.

The proposed rule also included the aggregate collection of information for capital grants, per diem grants and special need grants located at 38 CFR Part 61. These collections were previously approved by OMB under OMB control number 2900–0554, which expired on September 30, 2020. As noted above, VA is

submitting a new PRA request to OMB and awaits approval for the collections of information described herein. If OMB does not approve the collections of information as requested, VA will immediately remove the provisions containing a collection of information or take such other action as is directed by OMB.

Title: VA Homeless Providers Grant and Per Diem Program

Summary of collection of information: This collection of information is for capital grants, per diem grants, special need grants and case management grants located at §§ 61.11, 61.15, 61.17, 61.31, 61.41, and, 61.92. Information must be collected to determine which applicants are eligible for the grant and per diem program, and to prioritize applications for determining who will be awarded funds.

Description of the need for information and proposed use of information: This information is needed to determine eligibility for capital grants, per diem grants, special need grants and case management grants.

Description of likely respondents: Non-Profit Agencies and State and Local Governments.

Estimated number of respondents per year:

Capital grants and per diem: 100 per year.

Per diem for non-capital grant recipients: 500 per year.

Special need grants: 50 per year.

Case management grants: 300 per year.

Estimated frequency of responses per year:

Capital grants and per diem: 1 time per year.

Per diem for non-capital grant recipients: 1 time per year.

Special need grants: 1 time per year.

Case management grants: 1 time per year.

Estimated average burden per response:

Capital grants and per diem: 35 hours.

Per diem for non-capital grant recipients: 20 hours.

Special need grants: 20 hours.

Case management grants: 20 hours.

Estimated total annual reporting and recordkeeping burden: 20,500 hours.

Capital grants and per diem: 3,500 hours.

Per diem for non-capital grant recipients: 10,000 hours.

Special need grants: 1,000 hours.

Case management grants: 6,000 hours.

Estimated cost to respondents per year: We estimate the annual cost to respondents will be \$305,655, based on a rate of \$14.91 per hour. Out of that annual cost, it is estimated that one fourth of the grant proposals will be written on a pro bono basis and the remaining three fourths of the grant proposals will be written by professional grant writers.

Regulatory Flexibility Act

The Secretary hereby certifies that this final rule will not have a significant economic impact on a substantial number of small entities as they are defined in the Regulatory Flexibility Act, 5 U.S.C. 601-612. The provisions associated with this rulemaking do not involve costs to small entities because the VA Homeless Providers

Grant and Per Diem (GPD) Program provides federal awards (e.g., grants) to small entities. VA awards five types of grants to small entities meeting specific criteria for supportive or transitional housing for homeless veterans until the veteran can transition into permanent housing. Specifically, VA awards capital grants, special need grants, technical assistance grants, and case management services grants, and per diem only grants to offset operating costs for a program of supportive housing or services. Small entities will choose whether to apply for federal awards, and there are no out-of-pocket expenses (e.g., no filing fees) to apply for funding. Therefore, under 5 U.S.C. 605(b), this rulemaking is exempt from the initial and final regulatory flexibility analysis requirements of sections 603 and 604.

Executive Orders 12866 and 13563

Executive Orders 12866 and 13563 direct agencies to assess the costs and benefits of available regulatory alternatives and, when regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, and other advantages; distributive impacts; and equity). Executive Order 13563 (Improving Regulation and Regulatory Review) emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility. The Office of Information and Regulatory Affairs has determined that this rule is a significant regulatory action under Executive Order 12866. VA's impact analysis can be found as a supporting document at <http://www.regulations.gov>, usually within 48 hours after the rulemaking document is published. Additionally, a copy of the rulemaking and its impact analysis are available on VA's website at <http://www.va.gov/orpm> by following the link for VA Regulations Published from FY 2004 through FYTD.

Unfunded Mandates

The Unfunded Mandates Reform Act of 1995 requires, at 2 U.S.C. 1532, that agencies prepare an assessment of anticipated costs and benefits before issuing any rule that may result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more (adjusted annually for inflation) in any one year. This final rule will have no such effect on state, local, and tribal governments, or on the private sector.

Congressional Review Act

Pursuant to the Congressional Review Act (5 U.S.C. 801 et seq.), the Office of Information and Regulatory Affairs designated this rule as not a major rule, as defined by 5 U.S.C. 804(2).

Catalog of Federal Domestic Assistance

The Catalog of Federal Domestic Assistance number and title for the program affected by this document is 64.024, VA Homeless Providers Grant and Per Diem Program.

List of Subjects in 38 CFR Part 61

Administrative practice and procedure, Alcohol abuse, Alcoholism, Day care, Dental health, Drug abuse, Government contracts, Grant programs-health, Grant programs-veterans, Health care, Health facilities, Health professions, Health records, Homeless, Mental health programs, Reporting and recordkeeping requirements, Travel and transportation expenses, Veterans.

Signing Authority

Denis McDonough, Secretary of Veterans Affairs, approved this document on April 9, 2021, and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs.

Consuela Benjamin,

Regulations Development Coordinator,
Office of Regulation Policy & Management,
Office of the Secretary,
Department of Veterans Affairs.

For the reasons set forth in the preamble, the Department of Veterans Affairs amends 38 CFR Part 61 as follows:

PART 61 – VA HOMELESS PROVIDERS GRANT AND PER DIEM PROGRAM

1. The authority citation for part 61 continues to read as follows:

Authority: 38 U.S.C. 501, 2001, 2002, 2011, 2012, 2061, and 2064.

§ 61.1 [Amended]

2. In § 61.1 amend paragraph (2)(i) of the definition of “Supportive housing” by removing the phrase “within a period that is not less than 90 days and does not exceed” and adding in its place “as soon as possible but no later than”.

3. Add § 61.5 to subpart A to read as follows:

§ 61.5 Implementation of VA Limits on Payments due to Funding Restrictions.

(a) *Continuing payments.* Once a grant agreement is awarded by VA, payments will continue for the time frame specified in the federal award, subject to the availability of funds, as long as the recipient continues to provide the supportive services and housing described in its grant application, meets VA's Homeless Providers Grant and

Per Diem (GPD) Program performance goals, and meets the applicable requirements of this part.

(b) *Factors.* (1) In cases of limited availability of funding during the time frame specified in the federal award, VA may terminate the payment of per diem payments to recipients after weighing the following factors:

(i) Non-duplication of ongoing services and equitable distribution of grant agreements across geographic regions, including rural communities and tribal lands;

(ii) Receipt by recipient of any capital investment from VA or any other source; and

(iii) Recipient's demonstrated compliance with GPD performance goals.

(2) Notwithstanding paragraph (b)(1) of this section, when an awarded grant agreement is terminated during the time frame specified in the federal award due to no fault by the recipient, VA shall refrain from applying the recapture provisions of 38 CFR 61.67.

4. Revise § 61.33 to read as follows:

§ 61.33 Payment of per diem.

(a) *General.* VA will pay per diem to recipients that provide a bed day of care:

(1) For a homeless veteran:

(i) Who VA referred to the recipient; or

(ii) For whom VA authorized the provision of supportive housing or supportive service;

(2) For providers of both supportive housing and services. When the referral or authorization of the homeless veteran will not result in the project exceeding the total number of bed days of care or total obligated funding as indicated in the grant agreement and funding action document; or

(3) For service centers. When the total hours of service or total obligated funding as indicated in the grant agreement and funding action document.

(b) *VA Review.* VA may at any time review the provision of supportive housing and services to individual veterans by the provider to ensure the care provided continues to be needed and appropriate.

(c) *Rate of payments for individual veterans.* The rate of per diem for each veteran in supportive housing will be the lesser of:

(1) The daily cost of care estimated by the per diem recipient minus other sources of payments to the per diem recipient for furnishing services to homeless veterans that the per diem recipient certifies to be correct (other sources include payments and grants from other departments and agencies of the United States, from departments of local and State governments, from private entities or organizations, and from program participants); or

(2) The current VA state home program per diem rate for domiciliary care, as set by the Secretary under 38 U.S.C. 1741(a)(1).

(d) *Rate of payments for service centers.* The per diem amount for service centers shall be 1/8 of the lesser of the amount in paragraph (c)(1) or (c)(2) of this section, per hour, not to exceed eight (8) hours in any day.

(e) *Reimbursements.* Per diem may be paid retroactively for services provided not more than three (3) days before VA approval is given or where, through no fault of the recipient, per diem payments should have been made but were not made.

(f) *Payments for absent veterans.* VA will pay per diem up to a maximum of seventy-two (72) consecutive hours for the scheduled or unscheduled absence of a veteran, or, in the case of an in-patient hospitalization, will pay per diem up to a maximum of seven (7) days.

(g) *Veterans receiving supportive housing and services.* For circumstances where a veteran is receiving supportive housing and supportive services from the same per diem recipient, VA will not pay a per diem for the supportive services.

(h) *Reporting other sources of income.* At the time of receipt of a federal award from VA, a per diem recipient must report to VA all other sources of income for the project for which per diem was awarded. The report provides a basis for adjustments to the per diem payment under paragraph (c)(1) of this section.

5. Amend § 61.61 by revising paragraph (a) to read as follows:

§ 61.61 Agreement and funding actions.

(a) *Agreement.* When VA selects an applicant for grant or per diem award under this part, VA will incorporate the requirements of this part into an agreement to be executed by VA and the applicant. VA makes the final decision on applicant selection. VA may negotiate with an applicant regarding the details of the agreement and funding, as necessary. VA will enforce the agreement through such action as may be appropriate, including temporarily withholding cash payments pending correction of a deficiency. Appropriate actions include actions in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards under 2 CFR part 200.

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6. Amend § 61.80 by revising paragraph (c) to read as follows:

§ 61.80 General operation requirements for supportive housing and service centers.

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(c) VA will provide performance goals to recipients in its initial federal award and update annually thereafter:

(1) Each recipient must conduct an ongoing assessment of the supportive housing and services needed by their residents and the availability of housing and services to meet this need. Recipients are expected to make adjustments to meet resident needs.

(2) The recipient will provide to the VA GPD Liaison evidence of its ongoing assessment of the plan described in the grant application. The assessment must show how it is using the plan to meet the GPD performance goals.

(3) The VA GPD Liaison will provide the GPD performance information to recipients. VA will incorporate this assessment information into the annual inspection report.

(i) The VA GPD Liaison will review the quarterly assessment with the recipient no later than (30) days after the end of each of the following quarters:

(A) Quarter 1 (October- December) assessment completed not later than January 30;

(B) Quarter 2 (January -March) assessment completed not later than April 30;

(C) Quarter 3 (April- June) assessment completed not later than July 30; and,

(D) Quarter 4 (July- September) assessment completed not later than October 30.

(ii) A valid assessment must include the following:

(A) A comparison of actual accomplishments to established GPD performance goals for the reporting period addressing quantifiable as well as non-quantifiable goals. Examples include, but are not limited to, a description of grant agreement-related activities, such as: hiring and training personnel, community orientation/awareness activities, programmatic activities, or job development; and

(B) Identification of administrative and programmatic problems, which may affect performance and proposed solutions.

(iii) Recipients and VA GPD Liaisons must include a summary of the quarterly assessment in their administrative records. These quarterly assessments will be used to provide a cumulative assessment for the entire calendar year.

(iv) The recipient must immediately inform the VA GPD Liaison of any significant developments affecting its ability to accomplish the work. VA GPD Liaisons will provide necessary technical assistance.

(v) If, after reviewing a recipient's assessment, VA determines that it falls more than five percent below any performance goal, then VA may require the recipient to create and follow a performance improvement plan (PIP) as outlined in 38 CFR 61.80(c)(vi).

(vi) Performance Improvement Plan (PIP): If VA determines that a recipient deviates more than five percent from established GPD performance goals for any two (2) consecutive quarters as defined in 38 CFR 61.80(c)(3)(A)(i) through (iv), the recipient will submit a PIP to the VA GPD Liaison sixty (60) calendar days after VA makes its determination.

(A) The PIP must identify the activity which falls below the measure. The PIP must describe the reason(s) why the recipient did not meet the performance measure(s) and provide specific proposed corrective action(s) and a timetable for accomplishment of the corrective action. The plan may include the recipient's intent to propose modifying the grant agreement. The recipient will submit the PIP to the VA GPD Liaison.

(B) The VA GPD Liaison will forward the PIP to the VA National GPD Program Office. The VA National GPD Program Office will review the PIP and notify the recipient in writing whether the PIP is approved or disapproved. If disapproved, the VA GPD Liaison will make suggestions for improving the proposed PIP, and the recipient may resubmit the PIP to the VA National GPD Program Office.

(vii) If the recipient is not compliant after the PIP, then VA may impose any combination of the following enforcement actions by award revision:

(A) Withhold placements;

(B) Withhold payment;

(C) Suspend payment; and

(D) Terminate the grant agreement, as outlined in this part or other applicable federal statutes and regulations.

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